

Fig. A: Preservation of Endowment Purchasing Power

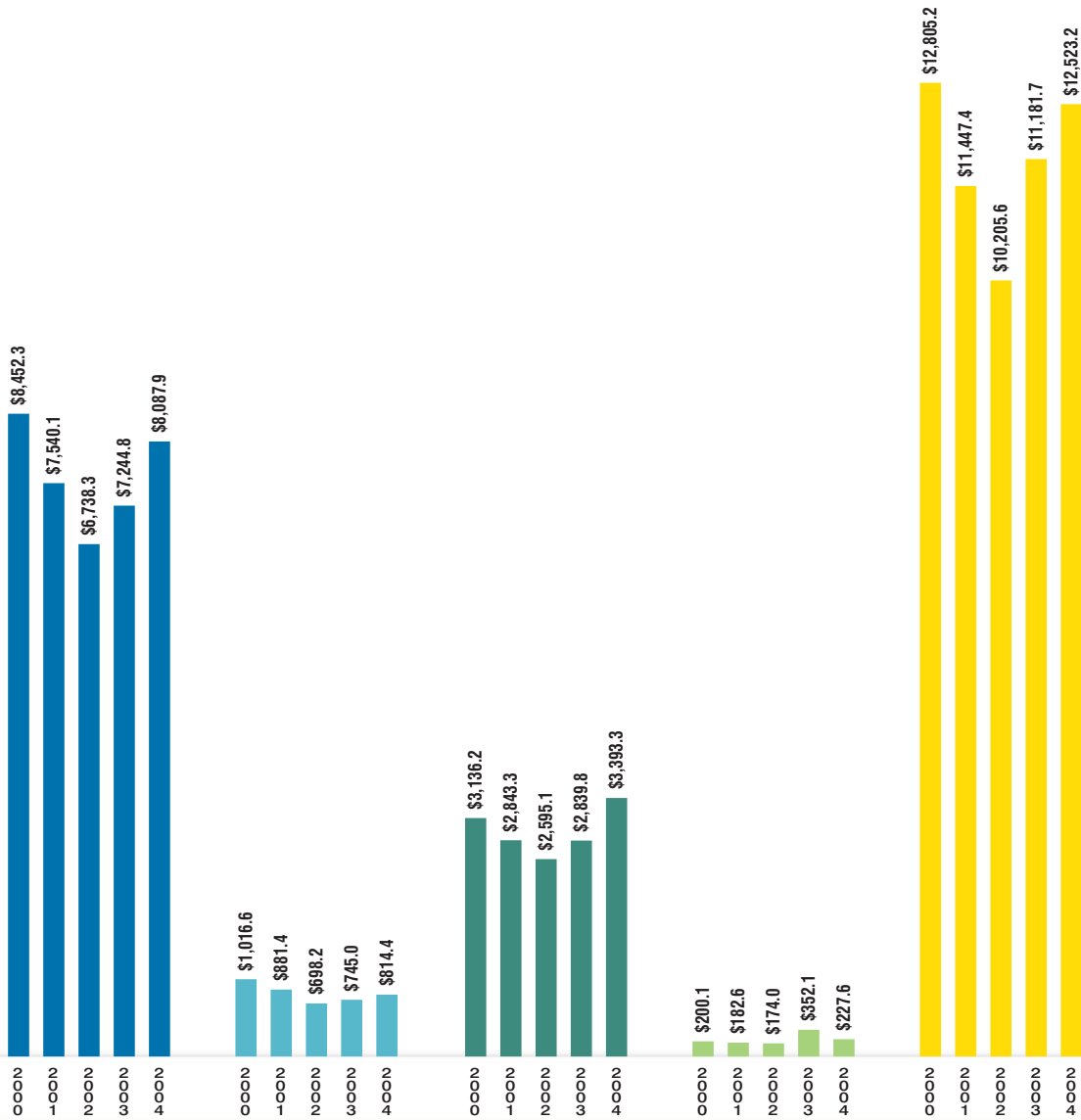
	Long Term Expected Annual Average
Rate of Investment Return	8.36%
Less:	
Expense Rate	0.35%
Inflation Rate	3.00%
Distribution Rate	4.75%
Increase in Purchasing Power	0.26%

Fig. B: Investment Returns

Endowment Funds	(in millions) Net Asset Value August 31, 2004	Annual Returns for Periods Ended August 31, 2004			
		One Year	Three Years	Five Years	Ten Years
Permanent University Fund	\$ 8,087.9	14.73%	5.99%	4.86%	9.55%
General Endowment Fund		14.77%	6.40%	N/A	N/A
Permanent Health Fund	814.4	14.60%	6.27%	4.80%	N/A
Long Term Fund	3,393.3	14.59%	6.33%	5.74%	10.24%
Separately Invested Funds	227.6	N/A	N/A	N/A	N/A
Total Endowment Funds	\$ 12,523.2				

Fig. C: Endowments Larger Than \$1 Billion

	1 Year Period Ending June 30, 2004			2 Year Period Ending June 30, 2004		
	Return	Rank		Return	Rank	
		% tile	Ordinal		% tile	Ordinal
Maximum	20.55%			13.73%		
25th Percentile	18.03%			10.94%		
Median	16.97%			9.95%		
75th Percentile	15.60%			8.99%		
Minimum	12.49%			2.58%		
Number of Portfolios	36			36		
GEF	20.07%	6	2	11.16%	25	9



Endowment Funds Net Asset Value (in millions) as of August 31.

Permanent University Fund (\$8,087.9 million)

The Permanent University Fund (PUF) is a state endowment fund contributing to the support of 18 institutions and 6 agencies of The University of Texas System and The Texas A&M University System.

Permanent Health Fund (\$814.4 million)

The Permanent Health Fund (PHF) is an internal UT System mutual fund for the pooled investment of state endowment funds for health-related institutions of higher education, created August 30, 1999, with proceeds from state tobacco litigation. As of March 1, 2001, the PHF purchased units in the newly created GEF in exchange for its contribution of investment assets.

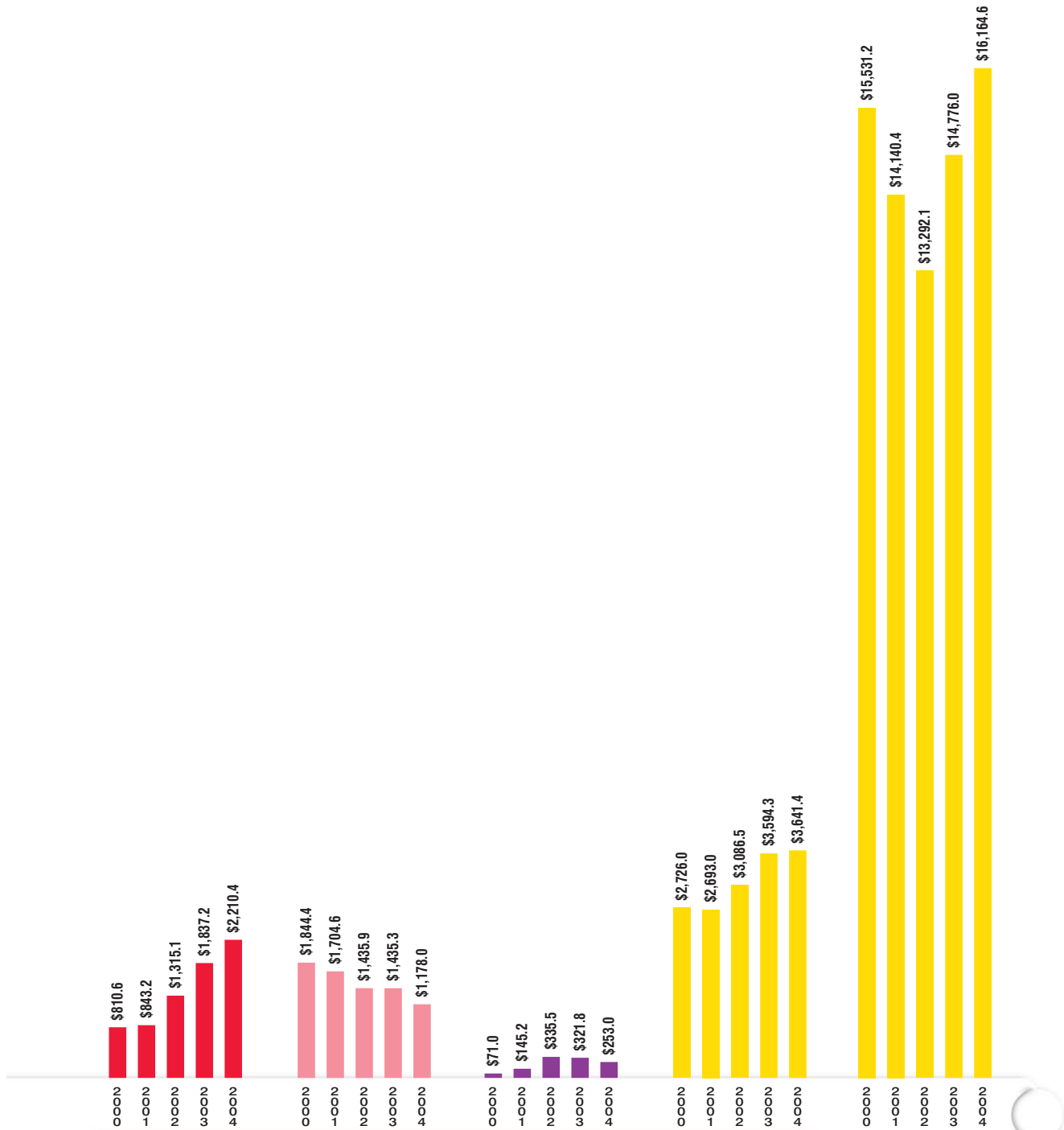
Long Term Fund (\$3,393.3 million)

The UT System Long Term Fund (LTF) is an internal UT System mutual fund for the pooled investment of 6,537 privately raised endowments and other long-term funds of the 15 institutions of the UT System. As of March 1, 2001, the LTF purchased units in the newly created GEF in exchange for its contribution of investment assets.

Separately Invested Funds (\$227.6 million)

The UT System Separately Invested Funds (SIF) consist of approximately 225 privately raised endowments and charitable trusts where the nature of the underlying asset or donor restrictions preclude investment in the LTF.

Total Endowment Funds (\$12,523.2 million)



Operating Funds Net Asset Value (in millions) as of August 31.

Short Term Fund (\$2,210.4 million)

The UT System Short Term Fund (STF) is a money market mutual fund consisting of the working capital and other operating fund balances held by UT System institutions with an investment horizon of less than one year.

Short Intermediate Term Fund (\$1,178.0 million)

The UT System Short Intermediate Term Fund (SITF) is an internal UT System mutual fund for the pooled investment of the operating funds held by UT System institutions with an investment horizon between one and five years.

Institutional Index Funds (\$253.0 million)

The Institutional Index Funds (IIF) consist of a U.S. debt index fund and a U.S. equity index fund for the investment of UT System institutions' permanent working capital and long-term capital reserves.

Total Operating Funds (\$3,641.4 million)

Total Funds Under Management (\$16,164.6 million)

Fig. D: Hedge Fund Portfolio's Relative Return Performance

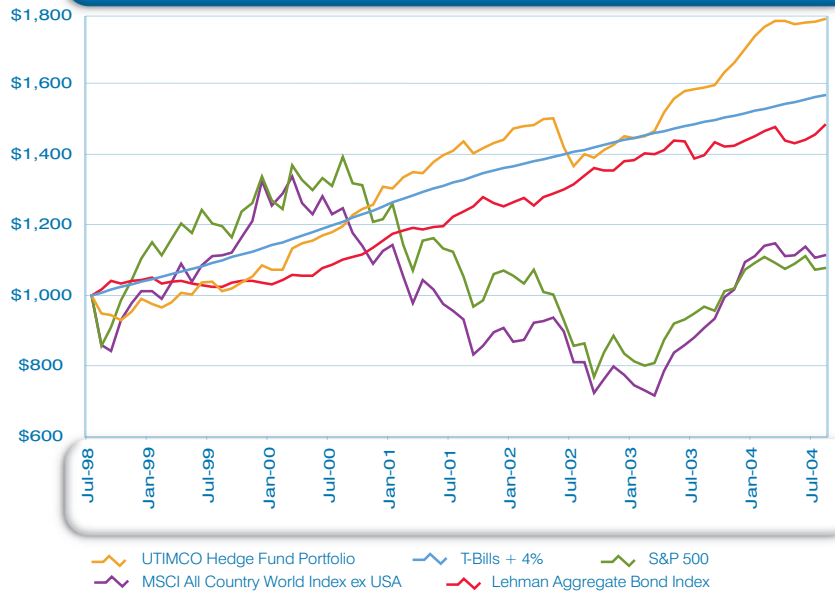


Fig. E: Portfolio Comparisons

	Policy Portfolio	Portfolio X	Portfolio Y
Expected Return	8.3%	8.3%	7.7%
Risk Measures:			
Annual Volatility	10.3%	11.2%	9.1%
3 Year Downside Risk	4.2%	4.6%	2.7%

Fig. F: Hedge Funds versus Stock Portfolios

